

Audit Committee
6 DECEMBER 2023

Present: Councillors: Mike Wood (Chairman), Dennis Livingstone (Vice-Chairman), Anthony Frankland, Tony Hogben, Richard Landeryou and Belinda Walters

Apologies: Councillors: Len Ellis-Brown

AAG/23 **MINUTES**

The minutes of the meeting held on 20 September were approved as a correct record and signed by the Chairman.

AAG/24 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/25 **ANNOUNCEMENTS**

The Chairman advised the committee that moving forward he was looking to utilise expertise and experience of Audit Committee members to work towards having 'champions' in specific areas and share knowledge.

AAG/26 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor provided a progress report of all internal audit and counter-fraud activity carried out during Quarter 2 of 2023/24 which included a summary of key findings.

Five audits were finalised during the quarter, one of which received an opinion of 'substantial assurance', and four received an opinion of 'reasonable assurance'.

Members noted key findings and progress on tracking in the appendices.

The Chief Internal Auditor advised the committee of amendments to the Audit Plan for 2023/24 where Alcohol Licensing would be reviewed instead of Taxi Licensing to enable service changes to be implemented in that area.

Members were keen to gain further information on how areas were chosen to be included in the Audit Plan. This involved benchmarking with other Councils, ranking the importance of areas to include and liaising continuously with departments to identify new and emerging risks.

It was advised that should any new or emerging risks arise; flexibility was built into the audit plan to direct resources into these areas and all implemented actions were tracked.

Members views were requested to advise areas for consideration and inclusion in the Audit Plan.

RESOLVED

Members noted the contents of the report.

AAG/27 **ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2023/24**

The Director of Resources talked through the action plan that listed areas for improvement that had been identified in the Annual Governance Statement from 2023/24.

Within the action plan six areas were identified for improvement and some were completed, some were still in progress and some areas required a longer time period to complete. The review of the Council's Constitution would likely take until December 2024 to complete, and a Governance peer challenge scheduled for February 2024 would feed into the wider review of the constitution.

Members were keen to acknowledge the success of the Council's management of bullying and harassment following the launch of the Dignity at Work policy.

AAG/28 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Resources presented the Risk Management Quarterly Update to the Committee. The report included an update on the Corporate Risk Register for consideration and provided information on progress with the quarterly departmental risk register reviews.

It was reported that there had been no changes since the September Audit Committee where five risks were considered to be high:

CRR17 The Housing Benefit Subsidy claim may be qualified and/or financial losses.

CRR19 Rapidly rising costs from inflation together with ongoing lower levels of income from fees in some areas, and other cost pressures such as increased homelessness; and increased housing benefit claims.

- CRR01b Funding from Government is less generous than assumed in the Medium-Term Financial Strategy (MTFS) from 2025.
- CRR38 Inability to recruit and retain officers in key service areas, especially Legal, Building Control, Tech, but across the Council, leading to failure to achieve agreed business objectives.
- CRR18 A malicious attacker exploits a known or unknown security weakness to penetrate the Council's ICT systems.
IT not working due to environmental and economic problems: fire, flood, power cut and issues with the supply chain preventing new infrastructure arriving in a timely manner.

Members discussed the risk relating to recruitment and retention of staff in key areas. It was suggested a Horsham 'weighting' could assist in providing higher salaries to encourage and retain staff in the district. The Director of Resources advised that a number of options had been considered however significant costs were involved in this option, it wouldn't necessarily target the key areas enough to make a sufficient difference and the Council would find this extremely expensive to fund moving forward.

RESOLVED

Members noted the content of the report.

AAG/29 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS - HALF YEAR REPORT**

The Group Accountant (Technical) presented the mid-year report for 2023/24. The report analysed the various indicators set in the Treasury Management Strategy in December 2022.

Activity was in line with indicators apart from the forecast Capital Programme which was above estimate due to the £7.7m inclusion of the Local Authority Housing Fund. This was added to the capital spend after the budget was set and is projected to be financed from £3.4m of government grant and internal resources with no unfinanced spend currently projected. At the end of September 2023, the Council had no external debt and its investments totalled £84.6m.

During the first half of 2023/24, the Council's cash balances were invested in accordance with the Council's treasury management strategy. Interest of £1.6m was earned on investments at an average return of 4.1%.

Members were asked to note the capital value of pooled funds had come under pressure due to interest rate rises, and this had decreased the capital value of pooled funds however it was hoped that once interest rates stabilise values would increase again.

Treasury investment income for the full year is forecast to be £1.3m above the budget as interest rates are significantly higher than those in the budget. Commercial property income is forecast at slightly below budget for the year.

Members discussed property vacancy levels, how bad debts are monitored and how income is affected when property units are vacant within Swan Walk shopping centre. Members acknowledged that property was a huge income for the Council and were keen to gain clarity on the process and procedures in place to enable the Head of Property and Facilities to negotiate leases.

RESOLVED

- i) To note the treasury management stewardship report at the mid-year 2023/24
- ii) To note the mid-year prudential indicators for 2023/24

REASON

- i) The mid-year report is a requirement of the Council's reporting procedures
- ii) The report meets the requirements of the relevant CIPFA Codes of Practice for Treasury Management and Prudential Indicators in Capital Finance.

AAG/30 **CAPITAL STRATEGY FOR 2024/25**

The Group Accountant (Technical) presented the report, which combined an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services, how the associated risks were managed and the implications for future financial sustainability. The annual strategy would be recommended to Council in February 2024.

The Committee were advised that Treasury investment indicators were unchanged apart from longer term investments that had been increased by £4m to give leeway for medium term investing.

The Chairman and Members raised questions on the single loan repayment time, borrowing strategy options and commercial investments.

RESOLVED

- i) To approve this Capital Strategy as an appropriate overarching strategy for the Council while leaving full Council to approve the updated Capital Strategy that will accompany the 2024/25 budget to Council.
- ii) To recommend that full Council approve the Treasury Management Strategy for 2024/25 and the associated limits and specific indicators in section 4 and appendix B of this report.
- iii) To recommend that full Council approve the Investment Strategy for 2024/25 and the associated limits and specific indicators included in section 4 and appendix C of this report.

REASON

- i) The Council is required to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Sector: Code of Practice and Prudential Code for Capital Finance that require the Council to approve a Capital Strategy, Investment Strategy and Treasury Management Strategy before the start of each financial year.
- ii) The Department for Levelling Up, Housing and Communities (DLUHC) issued revised guidance on local authority investments in 2018 that the Council is required to have regard to.

AAG/31 **URGENT BUSINESS**

The Director of Resources updated the Committee on the current situation regarding the external audit backlog.

Elizabeth Jackson, partner at Ernst and Young had advised that currently there were no further updates regarding the auditing of the 2022/23 accounts.

Information and guidance had still not been received from the Department for Levelling Up, Housing and Communities (DLUHC) on the approach to the backlog, and Ernst and Young were continuing to liaise with other bodies to ascertain how to progress.

Work was however being completed on the value for money conclusion as well as any statutory requirement work.

The Director of Resources is meeting with the external auditor in early January 2024 and any update will be given at the next Audit Committee in March 2024.

Should further information become available before then Committee Members would be updated.

Members expressed huge frustration and disappointment at the current situation and felt that audited accounts are essential to the wellbeing of the Council.

It was agreed that the Chairman of Audit Committee would write a letter to DLUHC expressing the Council's frustration and lack of progression on this matter.

The meeting closed at 6.16 pm having commenced at 5.30 pm

CHAIRMAN